



# STATE OF INDIANA

Mitchell E. Daniels, Jr.  
Governor

STATE BUDGET AGENCY  
212 State House  
Indianapolis, Indiana 46204-2796  
317-232-5610

Christopher A. Ruhl  
Director

February 8, 2010

Joseph Bruno  
Indiana Department of Transportation  
100 N. Senate Avenue Room N901  
Indianapolis, IN 46204

Dear Mr. Bruno:

Pursuant to the provisions of Executive Order 2-89 and Budget Agency Financial Management Circular 2006-1, the State Budget Agency has reviewed the proposed rule to adopt 105 IAC 9-4 (LSA #10-4 ) which you submitted to the State Budget Agency on January 7, 2010.

After reviewing the proposed rule, the recommendation of the State Budget Agency is that the rule changes be **approved**.

Furthermore, the statement and analysis (attached hereto) provided by the Indiana Department of Transportation is hereby adopted as the Office of Management and Budget's own Fiscal Impact Statement for the purpose of satisfying the requirements under IC 4-22-2-28(d). Also, it is adopted as the Office of Management and Budget's cost benefit analysis under IC 4-3-22-13(a).

If you have questions concerning this action, please contact your budget analyst or Gayle Pierson at 232-5610.

Sincerely,

A handwritten signature in black ink, appearing to read "CAR", written over a horizontal line.

Christopher A. Ruhl  
Director

CAR/GP

February 8, 2010

# **TITLE 105 INDIANA DEPARTMENT OF TRANSPORTATION**

## **Economic Impact Statement**

LSA Document #10-4

### **IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Business**

Amends 105 IAC 9-4 to update definitions and terms and to comply with federal regulations and guidelines regarding specific service signs as defined in §2J of the Manual on Uniform Traffic Control Devices (MUTCD). Effective 30 days after filing with the Publisher.

Indiana Code 4-22-2.1-5 requires an agency to submit a statement concerning the economic impact of any proposed rule on small businesses to the Indiana Economic Development Corporation (IEDC) and publish the statement in the Indiana Register. The proposed rule allows INDOT to expand the number of tourist attractions eligible to participate in the specific service sign program and allows gas, food, and lodging businesses that are not directly on the interchange crossroad to participate in the program by installing trail blazing signs. Additionally, the proposed rule allows participating businesses that can accommodate recreational vehicles to indicate this capability on their logo panel with the use of the RV friendly symbol.

#### **IC 4-22-2.1-5(a)(1): Estimated Number of Small Businesses Affected**

Of the approximately 1,105 businesses that participate in the specific service sign program, approximately 50% are considered to be small businesses. It is expected that the proposed rule change will expand the specific service sign program by about 10%, so approximately 60 new small businesses would be affected by the proposed rule change. Additionally, it is anticipated that approximately 10% of the existing businesses will request the RV friendly symbol based on the terms in the proposed rule. Therefore, about 60 existing small businesses will be affected by the proposed rule change, so the total number of affected small businesses is estimated to be 120. However, because the advertising charges for participation in the specific service sign program are uniformly applied to a specific service sign category, and because participation in the program is voluntary, INDOT anticipates that the proposed rule will not have an adverse effect on the affected small businesses. All of the small business affected fall within the tourism and hospitality industry sector.

#### **IC 4-22-2.1-5(a)(2): Estimated Average Reporting, Record Keeping, and Administrative Costs**

The proposed rule imposes no new reporting or record keeping costs on any business, large or small. However, businesses that use generally accepted accounting principles will need to include the fees for specific service signs in recording the advertising expenses for the business on balance sheets, income statements, and other reports. Based on data from the May 2008 Occupational Employment Survey by the Bureau of Labor Statistics, it is estimated that the record keeping costs of participating in the specific service sign program would cost approximately \$100 for each business. This figure assumes that the amount of time spent on record keeping would be about four hours, that the median hourly rate for a bookkeeper or account clerk in Indiana is \$14.68, and the labor additive rate is 70%.

#### **IC 4-22-2.1-5(a)(3): Estimated Annual Fiscal Impact**

As stated above, the adoption of this rule regarding the specific service sign program would directly affect about 60 new small businesses. The direct costs of participating in the specific service sign program would be approximately \$1,800 for a tourist attraction and \$3,600 for a gas, food, or lodging business. For the existing 60 small businesses who elect to add the RV friendly symbol to their logo panel, it is estimated that the manufacturing and installation costs would be approximately \$900. The record keeping costs of the proposed rule would amount to approximately \$100 annually for both existing and new small businesses. The total estimated annual fiscal impact of the rule would therefore be about \$246,000. However, participation in the specific service sign program is voluntary, and it is expected that

a business will not participate unless the revenue generated from advertising on a specific service sign exceeds the cost of advertising on the specific service sign.

#### **IC 4-22-2.1-5(a)(4): Justification of Requirements**

The following Indiana statutes and federal regulations apply to the adoption of this rule:

IC 4-22-2-3: The department may adopt rules under IC 4-22-2-3 et. seq. to establish a specific service sign program to allow businesses to install their logo on a specific service sign near interstate interchanges and on other expressways with full access control.

IC 9-21-4-5(b): The department may authorize the posting of business signs on specific information panels if all of the costs of manufacturing, installation, and maintenance are paid by the business.

23 CFR 655.603(b): The state must develop traffic control devices, including specific service signs, that are in substantial conformance with the national MUTCD that is approved by the Federal Highway Administration.

MUTCD §2J.01 - §2J.11: The state must comply with the standards for specific service signs stated in Chapter 2J of the 2009 MUTCD, as amended.

INDOT's proposed rule regarding the specific service sign program is justified because the program would be expanded to allow additional businesses to participate in the program pursuant to federal standards and guidelines. The cost to businesses to participate in the program is also justified because the Indiana Code requires the specific service sign program to be self-funded.

#### **IC 4-22-2.1-5(a)(5): Regulatory Flexibility Analysis**

With respect to compliance, the proposed rule could be less restrictive to small businesses. However, INDOT believes the compliance restrictions in the proposed rule are necessary to maintain the utility of the specific service sign program for Indiana motorists. For example, INDOT could allow gas, food, and lodging small businesses to participate in the program even if numerous trail blazing signs would be required to direct motorists to the small business, but this would reduce the value of the specific service signs to motorists who expect the facilities to be within easy reach of the interstate. The expansion of the program that is proposed by the rule accommodates small businesses that would like to participate in the specific service sign program and balances this against the interest of the public in providing guide signs for services that are close to an approaching interchange.

With respect to reporting requirements, there are no reporting requirements for small businesses, as eligibility for participation in the program is determined by the state through its contractor, the Indiana Logo Sign Group. Because there are no reporting requirements, there are no reporting deadlines. If an eligibility issue arises for a small business, that business has an indefinite period to satisfy the state's concerns. The standard of reasonableness is used as the time frame in resolving issues that come up in the administration of the logo sign program. Lastly, because there are no reporting requirements, there is no opportunity for the state to simplify or reduce reporting requirements for small businesses in the administration of the logo sign program.

#### **Revenue and Costs of Specific Service Signs**

##### **Revenue:**

INDOT anticipates that participation in the specific service sign program will increase by five percent (5%) by the expansion of the specific service sign program permitted in the proposed rule. This is a conservative estimate and is based on the extent to which the specific service sign program is permitted to expand based on current federal regulations in the MUTCD.

The revenue from an estimated five percent in additional gross commercial advertising charges, assuming three percent inflation, is as follows:

2010 - \$17,100

2011 - \$17,615

2012 - \$18,145

**Costs:**

Costs to the state are estimated to increase indirectly as a result of the proposed rule. No additional staffing is anticipated, but the additional oversight required will result in more hours spent on the specific service sign program. The estimated increase in this indirect cost, assuming three percent inflation is:

2010 - \$1,805

2011 - \$1,860

2012 - \$1,955

The chart below details these estimated costs. Calculations are based on current personnel costs.

**Specific Service Sign Program Expansion - Estimated Increase of INDOT Costs**

**Personnel**

Personnel costs are for a highway engineer, highway engineer supervisor, and a deputy commissioner to oversee the expanded portion of the specific service sign program. These costs include the state fringe benefit cost for items such as insurance, FICA, PERF, and leave time.

<b>Positions</b>	<b>Rates</b>		<b>Hours</b>		<b>Fringe</b>		<b>Total</b>
Highway Engineer	\$27	x	22.5	x	1+74.93%	x	\$1,062.70
Highway Eng. Suprv.	\$41	x	7.5	x	1+74.93%	x	\$ 537.91
Deputy Comm'r.	\$46	x	2.5	x	1+74.93%	x	\$ 201.17
<b>Total</b>							<b>\$1,801.78</b>

# Indiana Department of Transportation

## Fiscal Impact Statement

LSA Document #10-4

### Specific Service Signs

INDOT's proposed rule update its specific service signs regulations concerning business logo panels to reflect the current regulations and permitted practices in the federal Manual on Uniform Traffic Control Devices (MUTCD).

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**Effective Date: 30 days after filing with the Publisher**

### Estimated Fiscal Impact:

Effects on State Expenditures: INDOT anticipates this proposed rule will not have a significant fiscal impact on the State Budget, as the specific service sign program is administered by the Indiana Logo Sign Group, LLC. The Indiana Logo Sign Group handles requests for specific service signs, as well as installs and maintains the specific service signs on state right-of-way. INDOT's direct involvement in the specific service sign program is limited to interpreting the federal requirements for the specific service sign program, answering questions about state and federal standards for specific service signs, and other oversight type matters. The proposed rule would expand the number of businesses that could participate by adding new tourist attraction categories and allowing trailblazing for gas, food, and lodging businesses. Therefore, the direct fiscal impact is additional personnel time required to resolve the oversight matters of the expanded part of the program. (Details are shown below in the fiscal impact summary table).

Effects on State Revenues: INDOT anticipates this proposed rule will not have a slight fiscal impact on the State Revenues, as INDOT receives 10% of the gross commercial advertising charges collected by the Indiana Logo Sign Group, LLC. The Indiana Logo Sign Group has the current contract to administer the specific service sign program on behalf of INDOT. The proposed rule would expand the number of businesses that could participate by adding new tourist attraction categories and allowing trailblazing for gas, food, and lodging businesses. For 2008, INDOT received \$337,109.00 in gross commercial advertising charges. It is anticipated that the revenue the state receives from this program would increase by 5% or about \$17,000 annually as a result of the proposed rule.

Effects on Local Government: INDOT estimates that there will be a minimal fiscal impact on the liabilities or revenues of local governments, including any county, city, village, town, school district, technical college district, sewerage district, or any federally-recognized American Indian tribes or Bands. The extent of any fiscal impact of the proposed rule would be a voluntary decision to participate in the specific service sign program on behalf of a local government-owned attraction that has become eligible for participation in the program. The cost of participation would be approximately \$1,800 annually per attraction.



Effects on Small Business: Of the approximately 1,105 businesses that participate in the specific service sign program, approximately 50% are considered to be small businesses. It is expected that the proposed rule change will expand the specific service sign program by about 10%, so approximately 60 new small businesses would be affected by the proposed rule change. Additionally, it is anticipated that approximately 10% of the existing businesses will request the RV Friendly Symbol based on the terms in the proposed rule. Therefore, about 60 existing small businesses will be affected by the proposed rule change, so the total number of affected small businesses is estimated to be 120. However, because the advertising charges for participation in the specific service sign program are uniformly applied to a specific service sign category, and because participation in the program is voluntary, INDOT anticipates that the proposed rule will not have an adverse effect on the affected small businesses. The advertising charges for gas stations, restaurants, and lodging facilities is \$1,488 per business logo per panel sign, and \$240 per business logo per sheet sign. The advertising charges for attractions is \$744 per business logo per panel sign, and \$120 per business logo per sheet sign. INDOT considers these commercial advertising charges to be fair because of the unique nature of the medium, and the requirement by Indiana Code 9-21-4-5 that the costs for the specific service signs be paid by the participating businesses.

#### **Revenue and Costs of Specific Service Signs**

##### *Revenue:*

INDOT anticipates that participation in the specific service sign program will increase by five percent (5%) by the expansion of the specific service sign program permitted in the proposed rule. This is a conservative estimate and is based on the extent to which the specific service sign program is permitted to expand based on current federal regulations in the Manual on Uniform Traffic Control Devices (MUTCD).

The revenue from an estimated 5% in additional gross commercial advertising charges, assuming 3% inflation is as follows:

2010 - \$17,100  
2011 - \$17,615  
2012 - \$18,145

##### *Costs:*

Costs to the state are estimated to increase indirectly as a result of the proposed rule. No additional staffing is anticipated, but the additional oversight required will result in more hours spent on the specific service sign program. The estimated increase in this indirect cost assuming 3% inflation is:

2010 - \$1,805  
2011 - \$1,860  
2012 - \$1,955

The chart below details these estimated costs.

Specific Service Sign Program Expansion  
Estimated Increase of INDOT Costs

INDOT calculated the cost increase by using current INDOT personnel costs.

Personnel

Personnel costs are for a highway engineer, highway engineer supervisor, and a deputy commissioner to oversee the expanded portion of the specific service sign program. These costs include the state fringe benefit cost for items such as insurance, FICA, PERF, and leave time.

<u>Positions</u>	<u>Rates</u>	<u>Hours</u>	<u>Fringe</u>	<u>Total</u>
Highway Engineer	\$27	x 22.5	x 1+74.93%	= \$1,062.70
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